

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

FINANCIAL STATEMENTS  
For the fiscal year ended June 30, 2014

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FINANCIAL STATEMENTS  
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## INDEPENDENT AUDITOR'S REPORT

Elkhart Recreation Commission  
Elkhart, Kansas 67950

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Elkhart Recreation Commission, Elkhart, Kansas, a related municipal entity of Unified School District No. 218, Elkhart, Kansas, as of and for the year ended June 30, 2014 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the Elkhart Recreation Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Elkhart Recreation Commission as of June 30, 2014, or changes in financial position and cash flows thereof for the year then ended.

*Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Elkhart Recreation Commission as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit*

*and Accounting Guide.* Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The June 30, 2013 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2013 basic financial statement upon which we rendered an unmodified opinion dated August 30, 2013. The June 30, 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such June 30, 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 basic financial statement. The June 30, 2013 comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2013 basic financial statement or to the June 30, 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2013 comparative information is fairly stated in all material respects in relation to the June 30, 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

*Hay•Rice & Associates, Chartered*

August 22, 2014

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH – REGULATORY BASIS  
For the year ended June 30, 2014

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Add</u> <u>Encumbrances</u> <u>&amp; Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
General Fund	\$ <u>104,644</u>	\$ <u>228,084</u>	\$ <u>254,254</u>	\$ <u>78,474</u>	\$ <u>5,233</u>	\$ <u>83,707</u>

The notes to the financial statement are an integral part of this statement.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

Statement 1  
(Continued)

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH – REGULATORY BASIS  
For the year ended June 30, 2014

Ending Cash Balance		\$ <u>83,707</u>
Composition of Cash:		
Cash in First National Bank, Elkhart Kansas:		
Checking account	\$ 47,882	
Money Market account	35,679	
Petty cash account	<u>146</u>	
Total Reporting Entity		\$ <u>83,707</u>

The notes to the financial statement are an integral part of this statement.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The Elkhart Recreation Commission oversees recreational activities. The Elkhart Recreation Commission operates as a separate governing body, but the USD levies the taxes for the Elkhart Recreation Commission and the Elkhart Recreation Commission has only the powers granted by statute K.S.A. 12-1928. The Elkhart Recreation Commission is a jointly governed organization of Unified School District No. 218. The governing body of the Elkhart Recreation Commission is appointed by Unified School District No. 218 and the City of Elkhart. Two members are appointed from the school district, two members from the city, and those four members appoint the fifth member.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Regulatory Basis Fund Types

The following type of fund comprises the financial activities of the Elkhart Recreation Commission for the year ended June 30, 2014:

Governmental Fund:

General Fund – The Chief Operating Fund – used to account for all resources except those required to be accounted for in another fund.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

Tax Cycle

In Kansas, the County Clerk calculates the final tax levy rates necessary to finance the budget subject to any legal limitations. The clerk then certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments. Taxes are levied in November and are due by December 20. Taxpayers may elect to pay in two installments, with the second half due by May 10.

Note 2: Stewardship, Compliance and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

Finance-related legal and contractual provisions include Kansas statutes, regulations, contracts, debt covenants or other agreements. No material violations of finance-related legal and contractual provisions were noted for the year ended June 30, 2014. No material budget violations were noted for the year ended June 30, 2014. No material deficit fund balances were noted for the year ended June 30, 2014. Management is not aware of any statutory violations for the year ended June 30, 2014.

Note 3: Deposits and Investments

The Elkhart Recreation Commission had no investments during the year ended June 30, 2014.

K.S.A. 9-1401 establishes the depositories which may be used by the Elkhart Recreation Commission. The statute requires banks eligible to hold the Elkhart Recreation Commission's funds have a main or branch bank in the county in which the Elkhart Recreation Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Elkhart Recreation Commission has no other policies that would further limit interest rate risk.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

(Continued)

Note 3: Deposits and Investments (Continued)

K.S.A. 12-1675 limits the Elkhart Recreation Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Elkhart Recreation Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount the Elkhart Recreation Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Elkhart Recreation Commission's deposits may not be returned to it. State statutes require the Elkhart Recreation Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Elkhart Recreation Commission has no designated "peak periods". All deposits were legally secured at June 30, 2014.

At June 30, 2014, the Elkhart Recreation Commission's carrying amount of deposits was \$83,561 and the bank balance was \$83,976. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository insurance.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Elkhart Recreation Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2014 and 2013

(Continued)

Note 4: Risk Management

The Elkhart Recreation Commission is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; errors and omission; injuries to employees and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

Note 5: Compensated Absences

The Elkhart Recreation Commission does not allow for compensated absences such as sick leave. Therefore, no accrual of a liability is necessary at June 30, 2014.

Note 6: Subsequent Events

Elkhart Recreation Commission's management has evaluated events and transactions through August 22, 2014, the date which the financial statement was available to be issued.

Note 7: Long-Term Debt

On October 13, 2009, the Elkhart Recreation Commission leased additional field lighting equipment. Total lease payments will be \$206,021.28. Rental payments of \$34,336.88 are to be paid on March 15 for six years, with the final payment due March 15, 2015. The first payment was paid July 15, 2010.

ELKHART RECREATION COMMISSION  
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NOTES TO THE FINANCIAL STATEMENTS  
For the years ended June 30, 2014 and 2013  
(Continued)

Note 7: Long-Term Debt (Continued)

Changes in long-term liabilities for the Elkhart Recreation Commission for the year ended June 30, 2014 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Field Lighting Lease 2	6.94%	10/13/2009	\$170,395	03/15/2015	\$ <u>62,134</u>	<u>-</u>	\$ <u>30,025</u>	\$ <u>(30,025)</u>	\$ <u>32,109</u>	\$ <u>4,312</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>6-30-15</u>	<u>Total</u>
Principal:		
Light leases payable	\$ 32,109	\$ 32,109
Interest:		
Light leases payable	<u>2,228</u>	<u>2,228</u>
Total Principal and Interest	\$ <u>34,337</u>	\$ <u>34,337</u>

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET  
REGULATORY BASIS

For the fiscal year ended June 30, 2014

<u>Funds</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General Fund	<u>\$358,199</u>	<u>\$254,254</u>	<u>\$103,945</u>

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

Schedule 2

GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended June 30, 2014  
(with comparative actual totals for the prior year ended June 30, 2013)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Morton County Treasurer	\$192,900	\$197,000	\$ (4,100)	\$197,000
Reimbursements	584	-	584	-
Water Aerobics	1,705	2,500	(795)	1,388
Refunds and fees	13,965	15,000	(1,035)	10,692
Interest income	26	1,000	(974)	41
Concession stand income	5,688	20,000	(14,312)	6,193
Kids BB Tourney	11,254	12,000	(746)	8,345
Miscellaneous	<u>1,962</u>	<u>6,700</u>	<u>(4,738)</u>	<u>2,144</u>
Total Receipts	<u>\$228,084</u>	<u>\$254,200</u>	<u>\$ (26,116)</u>	<u>\$225,803</u>
<u>Expenditures</u>				
Community support	\$ 11,014	\$ 16,000	\$ 4,986	\$ 8,785
Miscellaneous – Not ball related	4,837	5,000	163	2,539
Building expense	31,781	35,000	3,219	7,052
Field lighting lease	34,337	34,337	-	34,337
Field equipment and upkeep	23,595	35,000	11,405	23,397
Ball equipment and uniforms	11,999	25,000	13,001	13,613
Utilities	21,219	26,000	4,781	22,773
Announcers/Scorekeepers	971	2,000	1,029	1,032
Charters, fees, insurance	14,059	20,000	5,941	14,061
Vehicle expense	6,490	12,000	5,510	5,911
Directors salaries	32,492	36,000	3,508	34,753
Salaries – Other	4,223	6,000	1,777	4,223
Salaries – Maintenance	17,529	35,000	17,471	18,154

ELKHART RECREATION COMMISSION  
Elkhart, Kansas

Schedule 2  
(Continued)

GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended June 30, 2014  
(with comparative actual totals for the prior year ended June 30, 2013)

	<u>Current Year</u>		<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures</u> (Continued)				
Payroll taxes	4,506	8,000	3,494	5,037
Unemployment taxes	1,003	2,000	997	1,654
Workers Compensation insurance	3,991	5,000	1,009	3,872
Officiation and announcing salaries	5,681	8,000	2,319	6,347
Miscellaneous – Ball related	4,811	5,000	189	1,628
Kids BB Tourney	7,476	12,000	4,524	9,068
Administration	4,553	8,000	3,447	4,506
Concession stand expenses	6,222	15,000	8,778	6,593
Concession stand salaries	-	6,362	6,362	3,058
Sales tax	<u>1,465</u>	<u>1,500</u>	<u>35</u>	<u>1,215</u>
Total Expenditures	<u>\$254,254</u>	<u>\$358,199</u>	<u>\$103,945</u>	<u>\$233,608</u>
Receipts Over (Under) Expenditures	\$ (26,170)			\$ (7,805)
Unencumbered Cash, Beginning	<u>104,644</u>			<u>112,449</u>
Unencumbered Cash, Ending	<u>\$ 78,474</u>			<u>\$104,644</u>